

FISCAL NOTE

HB 594 - SB 980

March 8, 2001

SUMMARY OF BILL: Establishes a plan that would permit teachers, principals, superintendents and other certificated personnel employed by any local public board of education to participate in a Deferred Retirement Option Plan (DROP). This plan will permit members to sign up for pension benefits to be paid into an account while continuing to work. An employee participating in DROP does not accrue additional retirement credit and no contributions are made to TCRS. The funds paid into the DROP account will earn 5% interest or the account investment can be self-directed. Funds will not be paid directly to the employee until employment has actually terminated.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$32,131,000 Annual Amortized Cost

Increase Local Govt. Expenditures* - \$21,192,000 Annual Amortized Cost

Estimate assumes:

- total lump sum liability of \$363,040,000
- a 20-year amortization of the lump sum liability.
- administrative costs of \$343,000 for seven positions and related costs in the Division of Retirement are included in the first year cost.
- approximately 60% of eligible employees will take advantage of the DROP Program.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

HB 594 - SB 980